

## Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 TRSE-00 L-03 OMB-01 COME-00

CAB-02 CIAE-00 DODE-00 DOTE-00 INR-07 NSAE-00 CIEP-01

FAA-00 H-02 SP-02 PRS-01 PA-01 USIA-06 /041 W

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R 070805Z SEP 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 9883

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E.O. 11652: GDS

TAGS: EFIN, RP, US

SUBJECT: DRAFT TAX CONVENTION

REF: STATE 219119

1. WE BELIEVE THAT IT WOULD NOT BE USEFUL TO APPROACH  
GOP AT THIS LATE STAGE WITH REQUEST THAT WE AMEND DRAFT  
AGREEMENT TO PROVIDE FOR RECIPROCAL EXEMPTION FOR  
AIRLINES. AT BEST IT WOULD RESULT IN DELAY OF SIGNATURE  
OF AGREEMENT SINCE ATTENTION OF RESPONSIBLE SENIOR GOP  
OFFICIALS IS NOW FOCUSED ON FORTHCOMING IMF/IBRD MEETING;  
AT WORST IT COULD RISK REOPENING OF NEGOTIATIONS SINCE  
IT MIGHT INVITE GOP TO TABLE ADDITIONAL DESIDERATA OF ITS  
OWN; AND IN EITHER EVENT SUCH LAST MINUTE REQUEST IS  
ALMOST CERTAIN TO CAUSE RESENTMENT.

2. GOP WILL FIND IT DIFFICULT TO UNDERSTAND HOW AGREEMENT  
COULD HAVE BEEN REACHED ON THIS POINT WITHOUT SOME  
INDICATION IT WOULD BE ACCEPTABLE TO AIR CARRIERS OF  
RESPECTIVE PARTIES. IN ANY CASE, WE THINK GOP WOULD BE  
MOST UNLIKELY TO AGREE TO CHANGE DRAFT AGREEMENT WITH  
OTHER COUNTRIES (E.G., CANADA) AND MATTER OF PRECEDENT  
WOULD THEREFORE ALSO BECOME A PROBLEM FOR GOP.

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3. WE HAVE DISCUSSED MATTER WITH LOCAL PANAM REPRESENTA-

TIVE WHO SAID HE NOT PREVIOUSLY AWARE OF PROBLEM. WE POINTED OUT THAT PANAM'S OPPOSITION ON THIS POINT WILL BE AN IRRITANT TO GOP AND COMES AT A TIME WHEN A NUMBER OF OTHER MATTERS IMPORTANT TO PANAM IN THE CIVIL AVIATION FIELD ARE UP FOR RECONSIDERATION. EXPLORATORY CIVIL AIR DISCUSSIONS ARE NOW TENTATIVELY SCHEDULED TO TAKE PLACE IN MANILA ON OCTOBER 11, AND A HITCH IN THE TAX AGREEMENT AT THIS LATE STAGE COULD AFFECT THE ATMOSPHERE FOR THESE TALKS. PANAM REPRESENTATIVE SAID HE WOULD BRING THIS TO ATTENTION HIS PRINCIPALS.

4. WE THEREFORE RECOMMEND THAT WE PROCEED WITH SIGNATURE. RECOGNIZE PROBLEM POSED BY PANAM OPPOSITION AND THREAT TO TESTIFY AGAINST TREATY IN HEARINGS. HOWEVER, WE THINK LIKELIHOOD SMALL THAT GOP WILL AMEND DRAFT AS DESIRED AND WE MUST THEREFORE EVENTUALLY BE PREPARED TO FACE CHOICE OF AGREEMENT CONTAINING 1.5 PERCENT CHARGE OR NO AGREEMENT AT ALL.  
SULLIVAN

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** AGREEMENT DRAFT, CIVIL AVIATION, AIRLINES, TAX AGREEMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 07 SEP 1976  
**Decaption Date:** 01 JAN 1960  
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**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
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**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
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